

Message Text

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ACTION EB-07

INFO OCT-01 AF-04 ARA-06 EUR-12 EA-06 NEA-06 ISO-00 COME-00

INT-05 AID-05 GSA-01 TRSE-00 OPIC-03 PM-03 NSC-05

SP-02 SS-15 RSC-01 CIAE-00 INR-05 NSAE-00 PRS-01 L-02

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P R 201315Z NOV 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC PRIORITY 575

INFO AMEMBASSY ACCRA

AMEMBASSY ALGIERS

AMEMBASSY ATHENS

AMEMBASSY BAMAKO

AMEMBASSY BELGRADE

AMEMBASSY CANBERRA

AMEMBASSY CONAKRY

AMEMBASSY FREETOWN

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMCONSUL PARAMARIBO

AMEMBASSY PORT AU PRINCE

AMEMBASSY SANTO DOMINGO

AMEMBASSY YAOUNDE

C O N F I D E N T I A L GEORGETOWN 2052

E.O. 11652: GDS

TAGS: ECIN, EMIN, GY

SUBJECT: BURNHAM REFERENCE TO BAUXITE UNIT OF ACCOUNT

REF: (A) STATE 252664 (B) GEORGETOWN 1981

BEGIN UNCLASSIFIED

1. FOLLOWING IS VERBATIM ACCOUNT OF BURNHAM REMARKS AT IBA MEETING

11/4 CONCERNING BAUXITE UNIT:

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QUOTE...WILL YOU PERMIT ME TO MAKE A SUGGESTION, IT WILL SEEM
UNUSUAL COMING FROM ONE WITH MY LIMITED QUALIFICATIONS AS FAR AS

YOUR SUBJECT IS CONCERNED. THIS SUGGESTION SPRINGS FROM SOMETHING
I READ RECENTLY. THE OIL PRODUCERS, NOTABLY THROUGH TWO SPOKESMEN,
HAVE BEEN STATING THAT ONE OF THE REASONS FOR THEIR INCREASING
THE PRICE OF CRUDE HAS BEEN THE FACT THE CURRENCIES IN WHICH THEIR
SALES HAD BEEN DENOMINATED HAVE BEEN SUBJECT TO CLEAR DEVALUATION,
IN SOME CASES REVALUATION, BUT CLEARLY IN ALL CASES DEVALUATION
DELIBERATE OR UNINTENTIONAL. AND THE RESULT OF THE DEVALUATION

OF THESE NATIONAL CURRENCIES WAS THE VALUE GOT FROM OIL SANK AND
TO COMPENSATE FOR THAT THE OIL PRODUCERS HAD TO PUT ON SOME OF
THE INCREASES WHICH THEY DID PUT ON. THAT IS OIL. GUYANA DOES NOT
PRODUCE OIL YET. GUYANA IS NOT ENTITLED OR QUALIFIED TO JOIN OPEC.
BUT GUYANA IS A MEMBER OF IBA, AND I WONDER WHETHER IBA CANNOT
ADDRESS ITS MIND TO THE BAUXITE UNION OF CURRENCY IN WHICH ALL
SALES OF BAUXITE WILL BE DENOMINATED. FOR IT SEEMS TO ME THAT
IF THAT IS DONE THE PRICE AND VALUE OF BAUXITE TO BAUXITE PRODUCERS
WOULD NOT BE AFFECTED BY THE DEVALUATION OF NATIONAL CURRENCIES IN
WHICH SO FAR BAUXITE SALES HAVE BEEN DENOMINATED. I NOTICE IN
YOUR ARTICLES OF ASSOCIATION THERE IS PROVISION FOR APPOINTING ON
THE SECRETARIAT EXPERTS IN ONE FIELD OR ANOTHER, AND THE FIRST
PREFERENCE MUST BE GIVEN TO CITIZENS OF MEMBER COUNTRIES. IN
CASES OF CONSULTANCY IT IS POSSIBLE AND PERMISSIBLE TO GO BEYOND
THE MEMBERSHIP AND I'D LIKE TO SUGGEST THIS IS ONE FIELD IN WHICH
YOU MAY APPOINT A CONSULTANT TO GO INTO THE QUESTION OF A BAUXITE
UNIT OF CURRENCY SO THAT IF THERE HAS TO BE ANY PRICE ADJUSTMENT
IT MUST NOT BE BECAUSE OF THE DEVALUATION OF ONE OR OTHER OF THE
SUPPOSEDLY STRONG NATIONAL CURRENCIES. END QUOTE.

END UNCLASSIFIED.

2. COMMENT: WHILE WE CANNOT RULE OUT POSSIBILITY THAT NEED FOR
BAUXITE UNIT OF ACCOUNT WAS SERIOUSLY DISCUSSED AT RECENT IBA
MEETING IN GEORGETOWN WE HAVE NO RPT NO OVERT EVIDENCE ANY DE-
CISION TAKEN ON BURNHAM'S SUGGESTION. IDEA IS PET PROJECT OF
HASSLYN PARRIS WHO PROBABLY PRESSED BURNHAM TO MENTION SUBJECT IN
OPENING SPEECH, IBA MEETING. LAST YEAR (10/73) ECONOFF VISITED
GUYANA BAUXITE PLANT IN LINDEN AND TALKED WITH PARRIS, WHO THEN
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COMPALINED ABOUT FLUCTUATIONS IN U.S. DOLLAR. HE SAID THEN THAT
GUYANA'S BAUXITE SALES WOULD BE BETTER SERVED IF DENOMINATED IN
VARIETY OF HARD CURRENCIES. PARRIS, FORMERLY WITH BANK OF GUYANA
BEFORE TAKING ON NUMBER TWO JOB AT GUYANA BAUXITE COMPANY (GUYBAU)
IS ECONOMIST BY TRAINING. DURING SUBSEQUENT DISCUSSIONS WITH ECONOFF
HE DID NOT RPT NOT MENTION SINGLE BAUXITE UNIT OF ACCOUNT.
GUYANA HAS SPECIAL INTEREST IN SOME FORM OF BAUXITE UNIT WHICH
WOULD NOT RPT NOT BE SUBJECT TO CURRENCY FLUCTUATIONS.

PRIME FACTOR IN THIS (READ HASSLYN PARRIS) ARGUMENT FOR BAUXITE UNIT OF ACCOUNT IS FACT THAT GUYANA SELLS AT ARMS LENGTH AND, AT LEAST AFTER DECEMBER 31, 1974, WILL NOT BENEFIT FROM JAMAICA-STYLE LEVY. MOREOVER, GOG OFTEN STATES GOAL TO DIVERT ITS TRADE (IMPORTS AS WELL AS EXPORTS) AWAY FROM U.S. AND OTHER WESTERN STATES, AND DEAL TO EVER GREATER DEGREE WITH SOCIALIST BLOC AND THIRD WORLD. TO EXTENT, FOR EXAMPLE, THAT GUYANA BUYS LESS FROM U.S.; IT LESS INTERESTED IN MAINTAINING RESERVES IN U.S. DOLS.

3. PARRIS IS DUE TO RETURN GUYANA ABOUT 11/20. WILL TRY TO CONTACT HIM AND SEEK FURTHER INFORMATION.

KREBS

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Message Attributes

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To: STATE
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